The Company

Hartmarx for nearly 100 years has been America's leading diversified manufacturer and retailer of men's and women's quality apparel. We provide high quality, excellent value, up-to-date fashion and outstanding service to both customers for our manufactured products and shoppers in our 153 retail stores.

Our business includes: Men's and women's apparel manufacturing, specialty retailing, low markup retailing and international activities. Hartmarx employs 25,000 people.

Men's Apparel Manufacturing: *Hart Schaffner & Marx, Hickey-Freeman, Intercontinental Branded Apparel, Jaymar Ruby, Gleneagles and Hartmarx Uniform Career Apparel Group. These companies manufacture suits, sport coats, slacks, outercoats, rainwear, sportswear, career apparel for men and women and military uniforms, under a variety of brands, designer and personality labels.*

Women's Apparel Manufacturing: *Country Miss is a manufacturer of women's moderate to better quality sportswear, dresses and suits. It also operates 56 outlet stores. Austin Reed for Women manufactures and sells high quality women's wear for the business and professional woman.*

Specialty Retailing: *Hartmarx Specialty Stores, Inc. operates 257 high quality apparel specialty stores catering to business and professional men and women across the country under such names as Wallachs, Baskin, Hastings, Jas. K. Wilson, Silverwoods and F.R. Tripler.*

Low-Markup Retailing: *Kuppenheimer is a low markup, popular-priced, "direct to consumer" manufacturer of men's suits, sport coats, and slacks sold through its 127 retail stores coast-to-coast.*

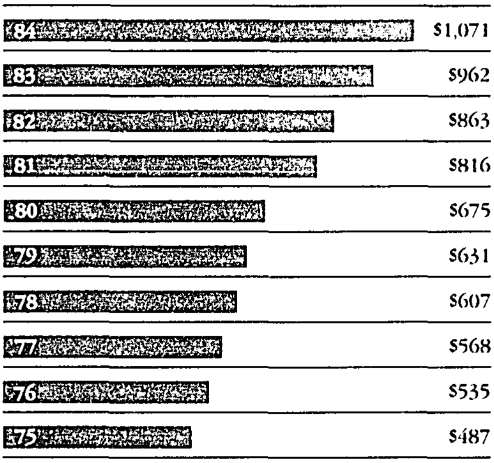
International: *Hartmarx has a 19 percent interest in Roberts, a quality Mexico City manufacturer of men's clothing with 25 stores throughout Mexico. The Company also licenses its apparel brands and retail names in 13 foreign countries and has a 11 percent voting interest in Austin Reed of Regent Street in Great Britain.*

HARTMARX

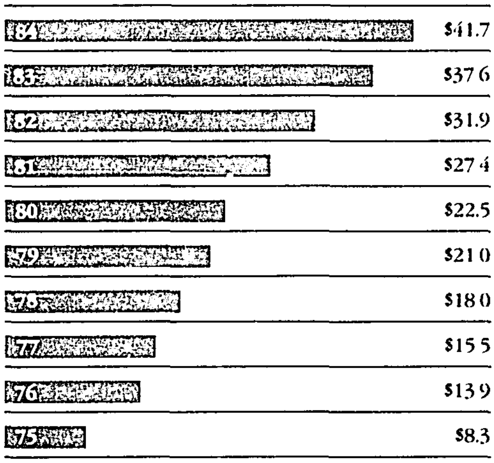
Hartmarx Corporation Financial Highlights

Years Ended November 30	1984	1983	Increase
Net sales	**$1,070,830,000**	$961,846,000	11.3%
Net earnings	**41,735,000**	37,615,000	11.0%
Earnings per share	**3.36**	3.05	10.2%
Cash dividends paid per share	**1.12**	.91	22.9%
Equity per share at November 30	**24.36**	22.20	9.7%
Average number of common shares and common share equivalents	**12,409,000**	12,323,000	
Number of shareholders	**9,500**	9,400	

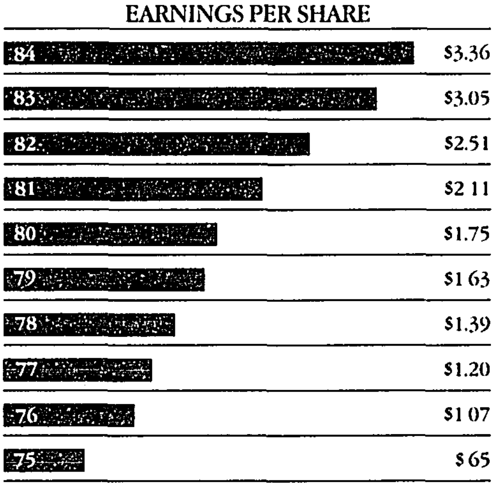
NET SALES
in millions



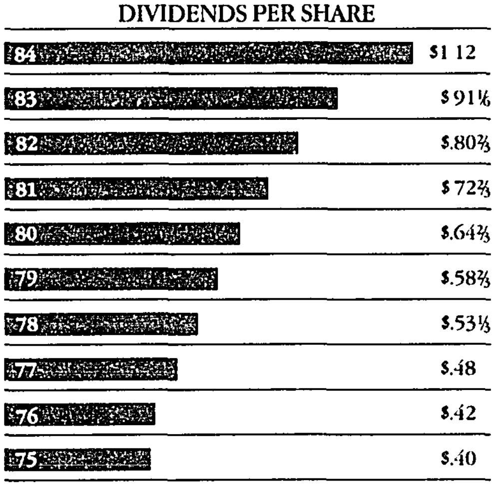
NET EARNINGS
in millions



EARNINGS PER SHARE



DIVIDENDS PER SHARE



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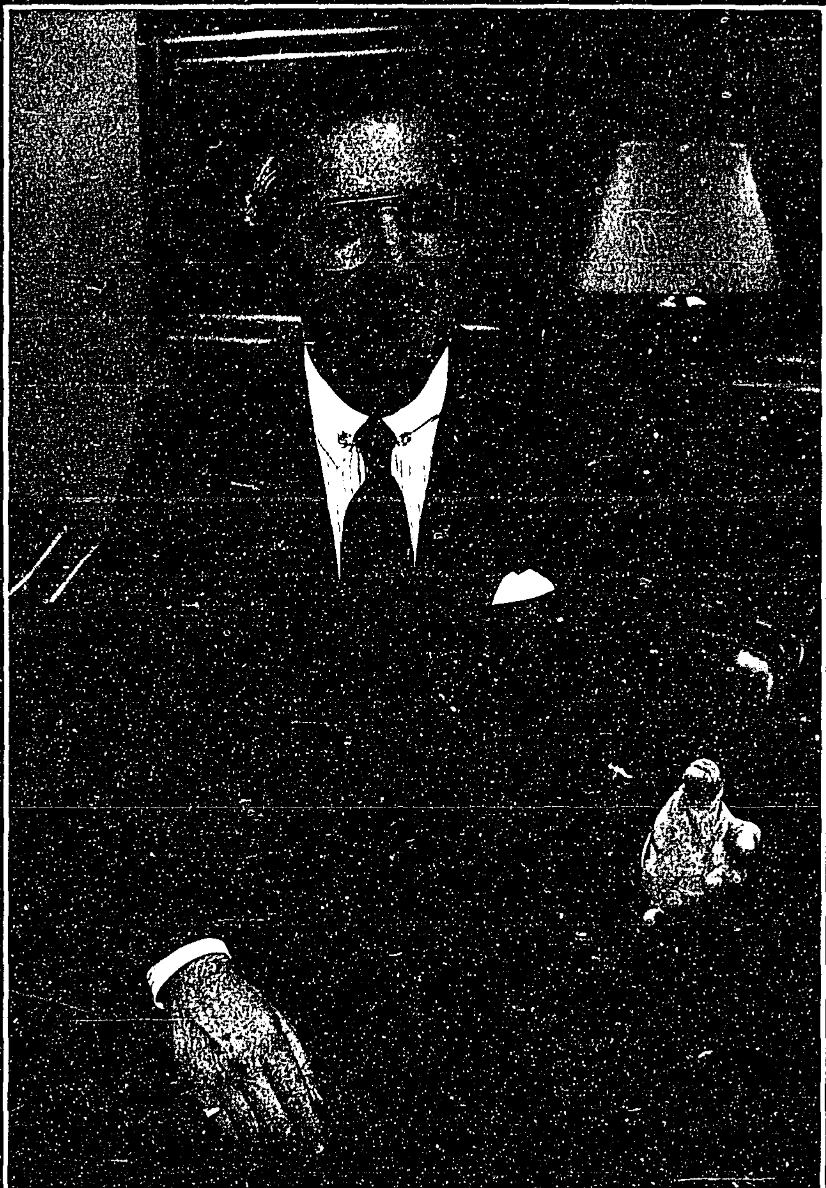


"Since 1980, our sales have grown at 12.2% annually, earnings at 16.7% and earnings per share at 17.7%. Return on investment rose from 10.3% to 14.6% and our stock price tripled. We have the right products, stores, marketing programs, strategies, the financial resources, and most important, highly motivated people with the determination and innovative spirit to continue our growth. It is our task to make Hartmarx one of the most attractive companies anywhere."

From a recent talk to employees by
Richard P. Hamilton
Chairman, President and
Chief Executive Officer

To Our Shareholders

Fiscal 1984 marked your Company's ninth consecutive year of higher sales and earnings and seventh record year. Hartmarx Corporation, with 25,000 employees, generated sales of over $1 billion.

Financial Results for 1984

- Sales of $1,070,830,000, an 11.3 percent increase over 1983 sales of $961,846,000.
- Net earnings of $41,735,000, an 11.0 percent increase above 1983 net earnings of $37,615,000.
- Earnings per share of $3.36, 10.2 percent higher than 1983's $3.05.
- Return on shareholders' equity of 14.6 percent compared to 14.7 percent in 1983.
- Dividends were increased 19 percent in January 1984 to 28 cents quarterly, and 14 percent in January 1985 to 32 cents quarterly, the ninth increase in nine years.

Our Men's Apparel Group, with its powerful brands, excellent manufacturing quality and aggressive marketing programs, enhanced by major investments in advertising, new brand introductions and technology, led our profitability with excellent sales growth and earnings increases in 1984.

Sales at Country Miss set another record in 1984 and have doubled in the four years since we acquired it. Its unique formula for merchandising, sourcing and distribution produced one of the highest returns on investment in the women's apparel industry.

Hartmarx Specialty Stores reported record sales in 1984, but margin pressures from meeting competition plus expenditures on programs to build business and productivity, which should improve future profitability, held earnings to a small increase over 1983.

In low-markup retailing, Kuppenheimer grew substantially in sales, but its earnings declined modestly in 1984 largely due to its aggressive expansion program and more competition. Having achieved our three-year goal of opening nearly 100 stores in two years, we are slowing the pace of store openings to consolidate our position in each marketplace and reap the benefit of our investment with higher 1985 earnings, while positioning Kuppenheimer to take advantage of its excellent opportunity to be America's leading value retailer of men's clothing.

Licensing, the centerpiece of our international operations, generated 1984 income of $3 million.

"Each business has defined missions, markets and objectives related to the achievement of these goals"

Goals and Strategies to Attain Them

Our key financial and strategic goals are set forth on this report's inside cover. Each business has defined missions, markets and objectives related to the achievement of these goals.

Strategies to achieve these goals in manufacturing include larger expenditures on advertising of our principal brands to increase market share and more emphasis on innovation, new product introduction, new business formats and marketing strategies to reach additional retailers and consumers. Making our factories technologically superior is a key priority as we strive to be the low-cost quality clothing producer in each product classification and price level we serve.

In our specialty retailing group, key strategies to improve performance involve programs to increase real sales growth and market share. Several new marketing programs, including our businessperson focus and heavily promoted "We Will—We Promise" service campaign, are part of this effort which is showing excellent results. Management information systems to improve productivity and reduce expenses are high priorities. Large expense savings will result from the centralization effort now underway in accounting, credit, distribution and merchandising.

We will expand our women's manufacturing business and low-markup retailing of men's and women's apparel. While internal growth is our key priority, we expect to continue the very successful acquisition strategy which has diversified the Company and helped fuel its growth and profitability.

Our retail sales for December and January of fiscal 1985 increased 8 percent to new record levels. Spring 1985 manufacturing unit orders are higher, and we also expect fall increases. We are projecting another very good year for Hartmarx.

Continuing Corporate Strengths

In achieving our goals, we are aided by a considerable battery of corporate strengths, including our reputation for manufacturing quality. As the cover of this report indicates, Hartmarx offers America's foremost fashion brands. We also operate the nation's finest group of specialty stores, which showcase our apparel and other quality merchandise.

Our men's and women's apparel manufacturing and retailing, serving many different markets and our distribution through the nation's finest full-service retailers, the most desirable in our industry, provide favorable competitive advantages. Hartmarx is also enjoying highly positive population and income demographics in the eighties. Our core customers—men aged 35 to 54—are increasing 28 percent, seven times that group's growth in the seventies, while almost 70 percent of women aged 25 to 54 will be working outside the home, constituting 45 percent of the workforce, which offers an expanding market for our apparel.

In addition to our excellent financial condition and marketing strengths, the depth of our experienced management is a key ingredient for continuing growth and success. During 1984, there were a significant number of key management changes, all carefully planned and filled from within our ranks. Richard P. Hamilton succeeded Jerome S. Gore as chairman and chief executive officer. E.O. (Bert) Hand, president and chief executive officer of the Men's Apparel Group, and Harvey A. Weinberg, chairman and chief executive officer of Hartmarx Specialty Stores, joined our board of directors. Kenneth Hoffman was named president and chief executive officer of Hart Schaffner & Marx. At Kuppenheimer, Sam Forman became chairman and David R. McMahon was named president and chief executive officer. Walter Hickey, Jr. became chairman and chief policy officer of Hickey-Freeman and Gasper A. Tirone president and chief executive officer. At Jaymar-Ruby, Geoffrey Bloom became chief executive officer; Burton B. Ruby remains chairman. Homi Patel is president and chief executive officer of Intercontinental Branded Apparel, formerly M. Wile, following Arthur Gunzberg's retirement. Carey M. Stein became vice president, secretary and general counsel after Charles L. Stewart retired.

Chairman Emeritus John D. Gray, a director since 1952, and Paul A. Conley, financial consultant and retired chairman of Blyth Eastman Dillon & Co., our most senior independent director who has contributed his invaluable experience and wise judgment for 20 years, will retire from our board in April. Mr. Gray's important accomplishments throughout his distinguished service from 1945 to 1981 helped us attain our premier position. All our directors greatly appreciate the excellent counsel of these valued directors and are grateful for the association with them.

Hartmarx is committed to excellence in every aspect of its business and in serving our retail customers, retailers, employees, shareholders and society. We call our program Premiership, and it is the goal of the people working for Hartmarx. We wish to thank our employees, customers and suppliers, all of whom have helped make us a successful, diversified, international apparel manufacturer-retailer with nearly a decade of increased profitability behind us and a bright future ahead of us.

Richard P. Hamilton

Richard P. Hamilton
Chairman, President and
Chief Executive Officer

February 11, 1985

Managements' Discussion and Analysis

(Supplementary data and comments on financial condition and results of operations on pages 18-19)

John R. Meinert
Vice Chairman, Chief Financial and Administrative Officer

Earnings increased 11 percent to $41,735,000 and sales increased 11.3 percent to $1,070,830,000, so our profit margin on sales was 3.9 percent in both 1984 and 1983. Shareholders' equity grew 11.1 percent to $301,891,000 during 1984 and earnings were 14.6 percent of average equity.

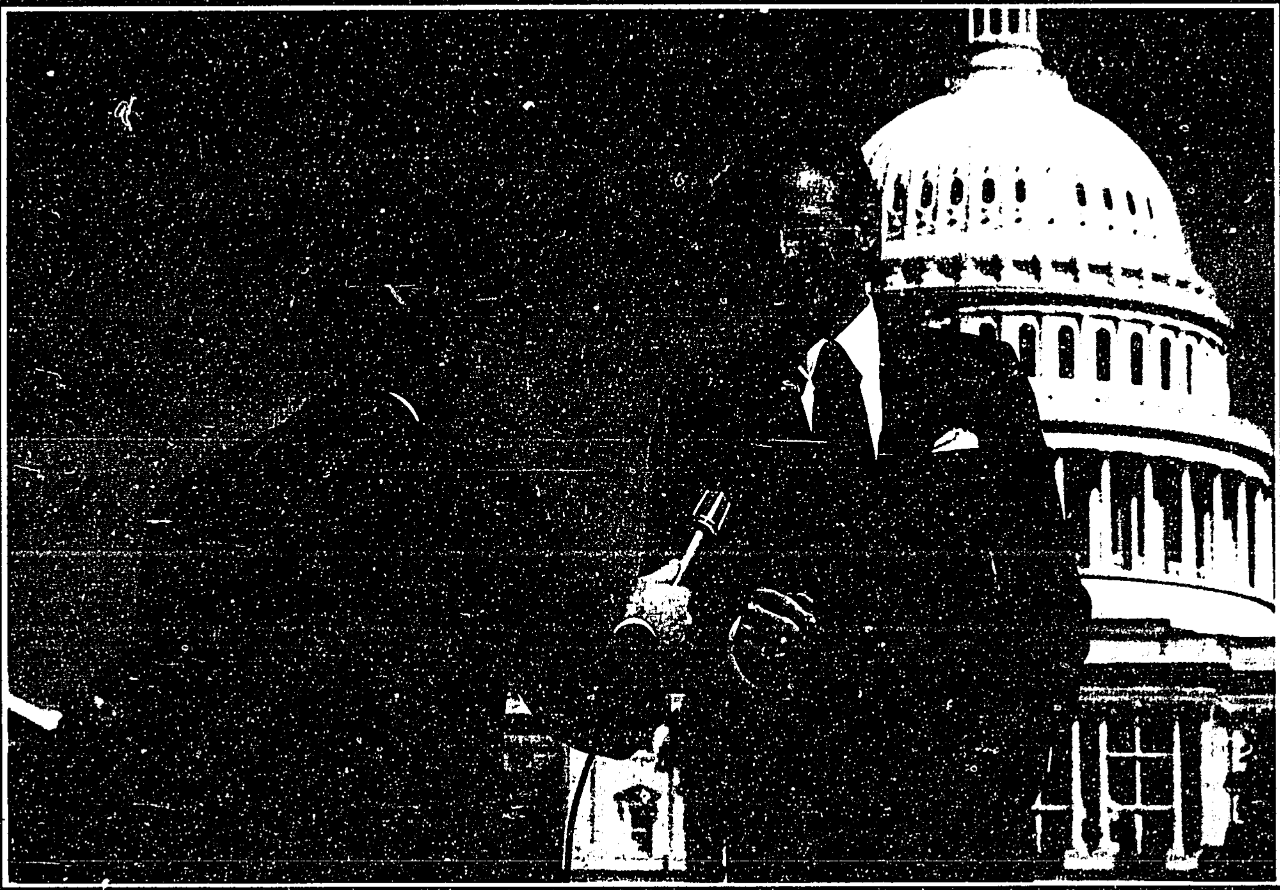
The 1984 profit improvement, on top of the previous year's 25 percent increase (excluding 1982's $1,765,000 gain from a real estate sale), resulted from manufacturing operations, which increased $11.7 million to record earnings of $73.1 million or 15.9 percent of sales from $61.4 million or 14.5 percent in 1983. Manufacturing sales increased 8.2 percent in 1984, double the previous year's 4.1 percent, to $458.7 million from $423.8 million, reflecting consumer demand for our products and retailers replenishing inventories. Retailing operations earned $35.3 million in 1984 and $35.1 million in 1983; sales increased 14 percent to $612.1 million compared to the prior year's 18 percent, largely due to adding Kuppenheimer.

Gross margin improved to 41.5 percent of sales from 40.5 percent in 1983 and 38.2 percent in 1982, while expenses increased to 34.4 percent of sales from 33.4 percent in 1983 and 32.3 percent in 1982, mostly due to a larger proportion of retailing which has higher gross margins and expense ratios. Finance charges and other income were $14.6 million in 1984, $12.4 million in 1983 and $12.3 million in 1982 (including the gain from real estate); credit charges and licensing income are the major components. Higher borrowings for inventories increased interest expense, net of income, to $10.7 million from $9.0 million in 1983 and $8.9 million in 1982.

"our strategy positions the company for long-term growth, and its excellent cash flow and retained earnings provide most of the funds to support the program"

We are in the middle of the largest expansion program in our Company's history. It involves about $100 million capital investment, starting in 1983 with $30 million, including $9 million in acquiring Kuppenheimer, $32.6 million in 1984 and $35 million projected for 1985. While earnings growth of some divisions has temporarily slowed, our strategy positions the Company for long-term growth, and its excellent cash flow and retained earnings provide most of the funds to support the program. Long-term debt of $111 million is 27 percent of capitalization while senior debt of $66 million is only 16 percent. Total debt increased from $113 million to $150 million during 1984; $39 million was paid by January 1985. Increased bank borrowings financed most of the $50 million higher inventory at November 30, 1984, but this inventory level, largely resulting from more stores and manufacturing orders, covers a substantial portion of 1985 requirements when any further increase should be moderate. Our capital investments, ranging from manufacturing equipment and technology to store expansion and information systems, should produce good returns in sales, productivity and earnings. With interest on our borrowings averaging less than 9 percent and our excellent financial condition, we are in a good position to continue our internal expansion and take advantage of our acquisition opportunities.

John R. Meinert
John R. Meinert
Vice Chairman, Chief Financial and Administrative Officer



Top: Photo from current Hart Schaffner & Marx "Right Suit" campaign

Bottom Left: Tennis Pro John Lloyd, as featured in the Racquet advertising campaign

Bottom Center: Gleneagles all-weather coats for men and women

Bottom Right: Austin Reed of Regent Street clothing with a distinctive British accent

Men's Apparel Marketing

The Hartmarx Men's Apparel Group achieved record sales and earnings for 1984 through greater demand for its established brands and excellent customer acceptance of newly introduced products. Sales were approximately $500 million in 1984, an increase of 12 percent from 1983, including shipments of about $85 million to our men's specialty stores.

The new Jack Nicklaus blazer set sales records in 1984

Led by the Hart Schaffner & Marx label, a world standard and one of the best performing brands in the U.S., the Hart Schaffner & Marx Clothes Division reported substantial unit and sales increases and earned record profits. "The Right Suit" national advertising campaign, created through extensive market research, has been right on target in reaching executives, and this advertising will be increased in 1985.

The division more than tripled sales of the successful Jack Nicklaus blazer by promoting the Golden Bear label at a lower price point which retailers enthusiastically supported. A blazer/slack package combining a selection of coats and compatible trousers encourages shoppers to choose a complete casual ensemble.

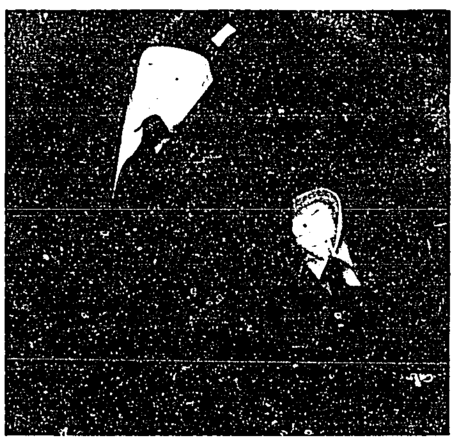
The sophisticated styling of the Walter Holmes collection

Christian Dior Monsieur, styled by one of the world's most renowned design houses, continues to perform well as it brings an important fashion direction to American clothing. Austin Reed of Regent Street enjoys success with major specialty retailers who feature this prestigious British-influenced line of high-quality tailored clothing. The Walter Holmes label joined with Society Brand in 1984 to introduce an elegant new fashion look. The new Henry Grethel line, focusing on a younger, more contemporary customer, was introduced during the year and has been enthusiastically endorsed by the nation's leading specialty and department stores.

> *"The Right Suit" national advertising campaign, created through extensive market research, has been right on target in reaching executives"*

Gleneagles produces weatherwear featuring several brand names including Hart Schaffner & Marx and will become part of that division in 1985. This consolidation will result in a greater market impact and reduction of overhead, which should get Gleneagles back to a profitable basis.

Hickey-Freeman had excellent growth in 1984 with a 15 percent sales increase. The brand benefited from new merchandising and increased advertising aimed at affluent businessmen. Jaeger men's clothing with the fashionable British look was introduced in 1984 as another product of Hickey-Freeman. The Jaeger brand will be featured throughout the U.S. in selected Jaeger stores as well as additional specialty and department stores. The international contemporary look of the Albert Nipon men's collection is being introduced for 1985.



Italian inspired Nino Cerruti suits and sport coats

Jaymar-Ruby also increased sales 15 percent in 1984 and earned record profits. In order to maximize the many opportunities for growth, Jaymar restructured its business during the year into three major divisions — tailored clothing and slacks, sportswear and retail. Its

Top Left: Launched in 1985, Henry Grethel tailored clothing

Top Right: Our Jaeger clothes add a touch of drama to any man's wardrobe

Center: Sansabelt, America's most popular casual slacks

Bottom: America's premier suits and sport coats are created by Hickey-Freeman

Sansabelt Shops, started experimentally two years ago, and a highly successful retail concept, expanded from 5 to 13 during 1984. Pierre Cardin dress slacks and Racquet slacks are proving to be rewarding additions, and the division is expanding its sportswear lines with Jaymar Sport and Austin Reed Sportswear. The Sansabelt Suit leads Jaymar's tailored clothing operations, and the concept is so successful that it launched a new line of Sansabelt blazer suits and tailored slacks.

Launched in 1984, the Austin Reed Sportswear line

Intercontinental Branded Apparel, formerly M. Wile, significantly enhanced its merchandising and improved its distribution for Pierre Cardin and Nino Cerruti suits and sport coats in 1984. Intercontinental also added units by selling the famous Johnny Carson apparel through Sears. Racquet natural shoulder suits for younger shoppers proved to be a real "natural" with sales continuing an impressive upswing. Intercontinental's strategy will be to emphasize the strength of its well-recognized names, including the moderately-priced Allyn St. George tailored clothing.

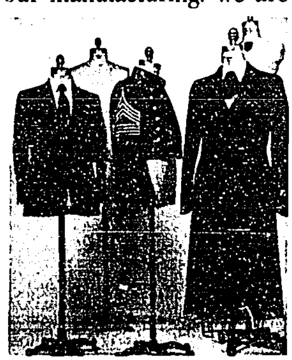
Christian Dior Monsieur, elegant European men's fashions tailored to American tastes

Uniform/Career Apparel Group combines Fashionaire and Thorngate Uniforms, and achieved record earnings in 1984 with sales of over $25 million in career apparel. This group serves the major airlines and fast-food companies, and produces military uniforms. The sales gain of over 20 percent reflects employers becoming more conscious of the need for employees to present a crisp, businesslike appearance when serving the public.

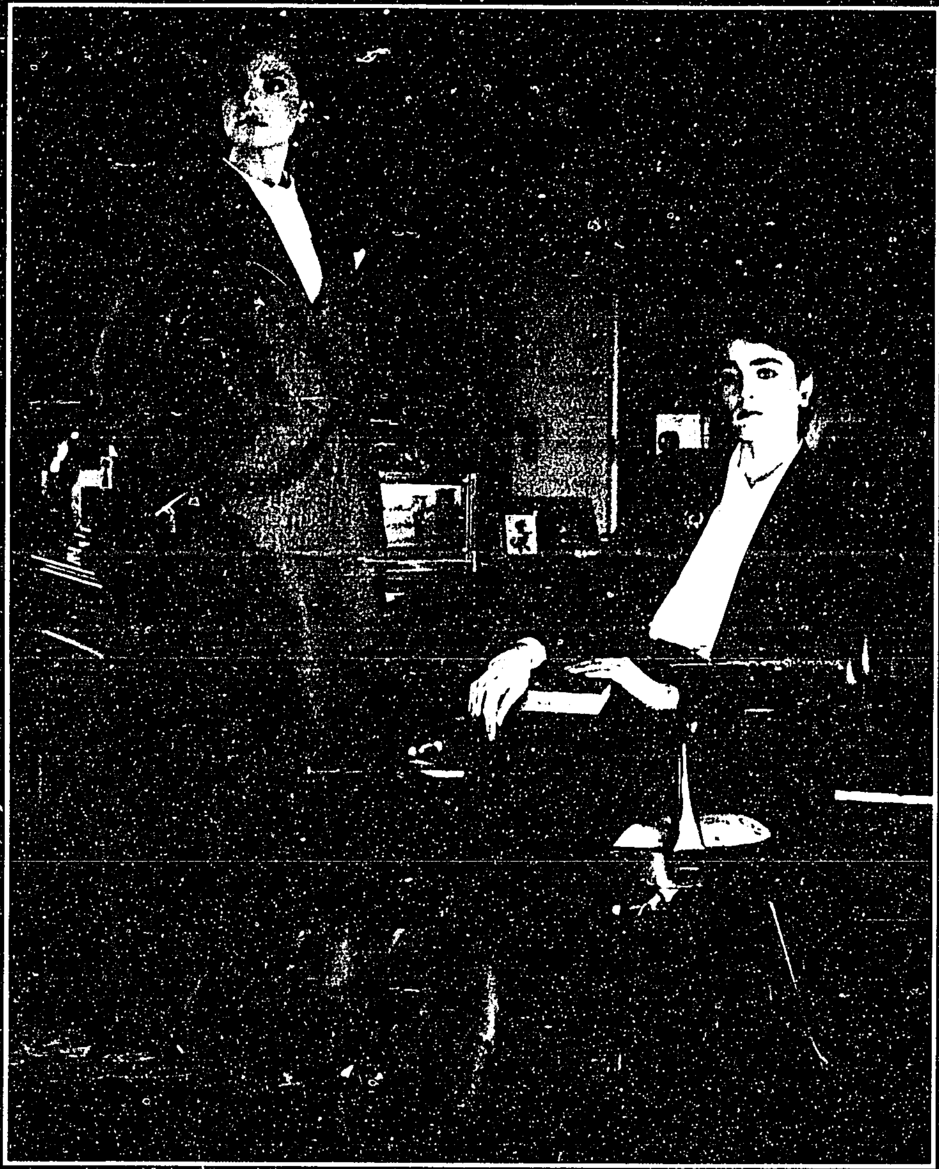
"Increase market share through building on its extraordinary strength and diversity of branded products unequaled in the apparel industry"

The Men's Apparel Group emphasizes two key strategies: Increase market share through building on its extraordinary strength and diversity of branded products unequaled in the apparel industry and continue its efforts to provide optimum quality at optimum prices through technological enhancements. It has engaged Kurt Salmon & Associates, a leading consulting firm with apparel expertise, to assess our manufacturing. We are determined to be outstanding in state-of-the-art technology.

Each of the companies—Hart Schaffner & Marx, Hickey-Freeman, Intercontinental Branded Apparel, Jaymar-Ruby and the Uniform/Career Apparel Group—are operating under the direction of relatively new chief executive officers, all experienced executives with Hartmarx. We have high expectations for this vigorous new management as they lead the most qualified teams in our industry.



Military and career apparel by Fashionaire and Thorngate



Top Left: Country Miss fashions are featured by the nation's leading retailers

Top Right: Austin Reed for Women has created very successful new lines

Left: Colorful coordinates created by Country Miss

Women's Apparel Marketing

During the past several years, Hartmarx has been expanding its presence as a manufacturer and retailer of women's suitings, sportswear and casual wear, bringing to business and professional women the excellence in clothing long enjoyed by male patrons of Hartmarx labels and stores. A corporate goal is to increase participation in women's apparel markets, and we have achieved considerable progress in positioning ourselves as a leader in women's apparel manufacturing and retailing.

Country Miss is a manufacturer and retailer of women's moderate to better sportswear, dresses and suits that we acquired in January 1981. Its lines—Country Suburbans and Weathervane sportswear, Country Miss dresses and Handmacher suits—are carried in many fine department stores and women's specialty stores nationally. In addition, about 20 percent of the production of Country Miss is sold through its own 56 outlets und · the Old Mill name.

Through its unique combination of owned manufacturing and retail stores, competitive sourcing, distribution efficiencies and experienced management, Country Miss has one of the highest returns on investment in the women's apparel industry. We are encouraged by prospects for continued growth as Country Miss, approaching $100 million in annual sales, has attractive styling and pricing.

Hartmarx Specialty Stores created many new departments catering to the business woman

Complementing Country Miss in the manufacturing of women's apparel, Austin Reed for Women under the Men's Apparel Group is a fine quality line of executive women's suitings and related separates and accessories. It has received excellent acceptance among business and professional women, and is a logical counterpart to our suits for businessmen. In addition, Gleneagles is introducing rainwear for women.

We are seeking ways to expand our participation in women's apparel manufacturing through our existing businesses and compatible acquisitions.

"We are seeking ways to expand our participation in women's apparel manufacturing through our existing businesses and compatible acquisitions"

In developing a successful retail strategy for women's apparel, corporate women's clothing departments have been installed in nearly all of our men's specialty retail stores, and this program was substantially completed in 1984. Our specialty stores have concentrated their focus on business shoppers, with carefully edited lines of apparel. Appealing to professional and business women through our specialty stores will be a strategy of continuing importance during the coming years.

Exceedingly favorable women's demographics in age, income and employment make our emphasis on the manufacturing and marketing of women's apparel an important part of our overall business mix. Throughout the eighties, we expect to be an increasing presence in providing women the quality apparel that their professional status deserves, as we take advantage of our long experience in manufacturing, our comprehensive network of specialty stores and our unequaled reputation as *the* company for executive dress.

Above: The new Wallachs store opened in the New York financial district in 1984.

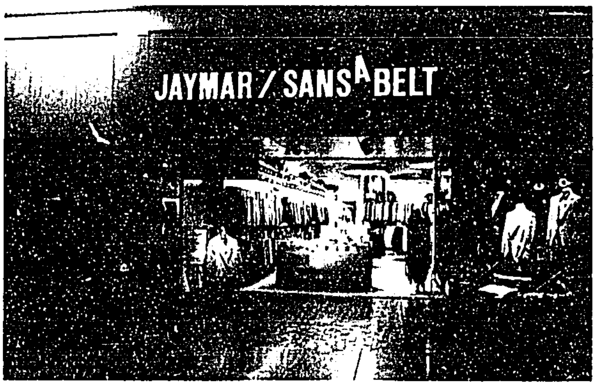
Below: Root's first Boston store was completed in 1984.

Specialty Retailing

Hartmarx Specialty Stores, Inc., our full-service retailing group of 257 stores operating coast to coast, reported record sales for 1984. The men's stores increased nine percent to about $400 million while the women's stores — 26 Chas. A. Stevens in Illinois and 3 deJong's in Indiana — were even at $75 million. Operating profits improved in the men's stores, but much of the improvement was offset by margin pressures from price cutting and heavy promotional expense in the women's stores as well as other business-building productivity improvement programs to aid future profitability. Our long-term strategy based on emphasizing high quality, personal service, wide selection and excellent value continues to draw upscale business shoppers.

Supporting our decision to focus on the business customer, we are providing merchandise selected for business and casual wear by the businessman and have established corporate women's departments in nearly all of our specialty stores, bringing to businesswomen the apparel and image appropriate to their professional status. The businesswoman is an increasingly important customer for Hartmarx in our specialty stores and she is responding very favorably to our well-edited selections, service and ambiance.

The specialty stores are also a superb showcase for our manufactured products. Over $85 million of the 1984 purchases by the men's stores was supplied by our manufacturing divisions giving them important planning and manufacturing advantages. Hartmarx Specialty Stores are stressing superior service in a "We Will...We Promise" customer service campaign, launched in fiscal 1984. It has been implemented in every retail store and reinforced by national television advertisements featuring the distinguished Peter (Mission Impossible) Graves. Our retail employees are responding enthusiastically to our customer service initiative, and it has become an integral part of the campaign to build our sales and reputation.



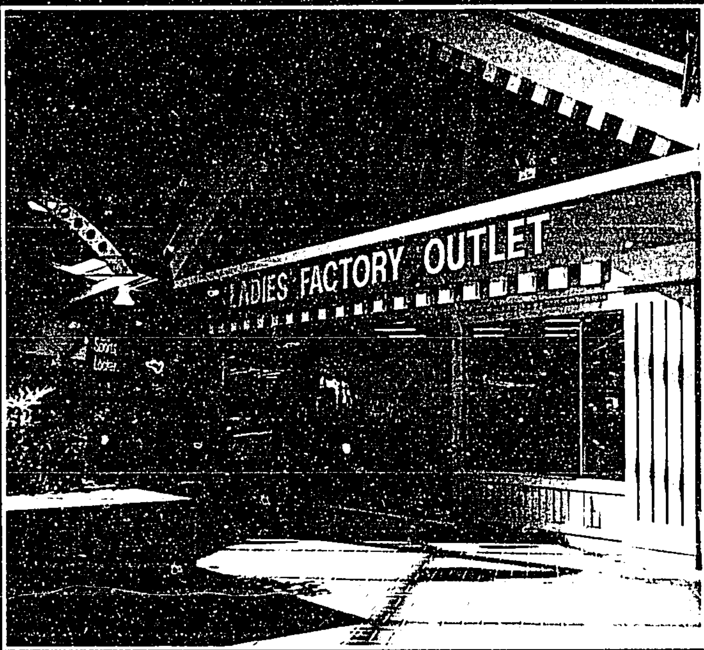
Format of our successful new Jaymar/Sansabelt shop concept

"Our long-term strategy based on emphasizing high quality, personal service, wide selection and excellent value continues to draw upscale business shoppers"

During 1984, our store remodeling and Model Store Program continued as several million dollars was invested to improve the appearance and ambiance of the specialty stores. We are committed to meeting the expectations of our target customers, who are accustomed to professional attention in a pleasant shopping environment, with attractive displays depicting their lifestyles. Comprehensive management and sales training are increasingly important in the achievement of sales growth and improved productivity.

Major efforts are underway in order to reach our return on investment goals in specialty retailing. The heavy expenditures over the last two years in management information systems have brought us to the point where we can now undertake the centralization of accounting, credit, distribution and merchandising, thus eliminating substantial duplication of effort throughout our previously decentralized specialty store group. The reduction in expense that will result from this program over the next two years is expected to be substantial and the resulting efficiency and better control will add to improved performance.

We are highly encouraged about prospects for Hartmarx Specialty Stores which we believe offer the shopping experience preferred by the growing numbers of discerning, affluent customers.



Top: Recently completed Kuppenheimer store in Tampa, Florida

Bottom Left: Attractive exterior of Country Miss "Old Mill" factory outlet store

Bottom Right: A wide range of women's sportswear is featured in the Country Miss stores

Low-Markup Retailing

In only its second year as part of Hartmarx, Kuppenheimer's sales doubled from two years ago to $115 million in 1984. The direct-to-consumer manufacturer of men's tailored clothing had 41 outlets when we acquired it in December 1982, and has expanded to 127 stores. This aggressive growth accomplished most of a three-year plan in only two years. However, the expansion program and enlarging the staff, coupled with more competition temporarily slowed Kuppenheimer's earnings and return on net assets, and 1985 will be dedicated to improving profitability as there is now time for a more measured and less expensive approach to store expansion. Existing stores will build their sales base, and no more than 15 to 20 new outlets will be opened in 1985 while less profitable locations in selected areas may be closed. A new marketing program will also be implemented to further differentiate Kuppenheimer from conventional outlet and discount stores and to take advantage of the opportunity it has to be America's leading value clothier for men.

Featuring suits from $120 to $160, sport coats from $70 to $140, and slacks from $25 to $40, Kuppenheimer, which manufactures the apparel it sells in its own stores, complements our higher-end manufacturing and retailing operations. Its garments are directed toward the largest segment of the U.S. clothing market, which is suits under $200, and its retail outlets appeal to the price-conscious customer who is looking for unusual value in apparel designed and tailored for his needs.

The large clothing selection in a typical Kuppenheimer store

"Kuppenheimer remains a major growth vehicle for Hartmarx because of its remarkably efficient method of distribution"

Unlike discounters, Kuppenheimer does not rely on over-runs, left-overs or old-season merchandise. It styles the right piece goods and manufactures its own selection of current merchandise to be sold at low markups. Every-day low prices are possible through efficiencies in manufacturing made possible because of production planned only for its own stores, its highly efficient direct-distribution system and by lower cost retail locations, ambiance and service.

At the close of 1984, David McMahon, formerly a key executive with Hartmarx Specialty Stores, was named president and chief executive officer of Kuppenheimer. Along with Kuppenheimer founder Sam Forman, who became chairman, it now has an outstanding management team in manufacturing and retailing. New systems management tools will enable Kuppenheimer to streamline its inventories for more precise matching with sales.

Kuppenheimer remains a major growth vehicle for Hartmarx because of its remarkably efficient method of distribution, combined with its quality clothing catering to the mass-middle market of American men to whom value is important.

In low-markup women's apparel retailing, Country Miss has expanded from 19 locations when acquired four years ago to 56 outlets. These Old Mill stores are stocked largely with merchandise from Country Miss factories and serve as outlets for about 20 percent of the production. They are carefully located to minimize any conflict with the sale of Country Miss products through its independent retailers, and the additional distribution improves its overall operating efficiency. The investment in these no-frill outlets, operated with fast-turning inventory and virtually no receivables, is comparatively low so the return on investment and profit margins are excellent.

International

Licensing operations for 1984 achieved record revenues and income, expanded to 27 international licensing programs in 13 countries, and extended our reputation in manufacturing, merchandising, marketing, retailing, technology and trademarks worldwide.

During 1984, we renewed several agreements in Japan that will enhance our exposure in the attractive Asian markets. With our Golden Bear associates, we renewed our arrangement with Asahi for the Jack Nicklaus label in an 11-year agreement involving 10 sub-licensees. We expanded a manufacturing arrangement for Society Brand into a 10-year manufacturing and retailing program for that label with Marubeni and Taka-Q and renewed the licensing of our Hastings retail name with Sanko Iryo in Osaka. We also renewed our agreement with Marubeni for licensing of Trumpeter, the international label for high quality men's tailored suits, by our Hart Schaffner & Marx Clothes Division. Renewals in other countries demonstrate our global activities: Society Brand in Taiwan and Korea, Jaymar slacks in Thailand and Pierre Cardin men's suits in Columbia.

A Hastings store in Japan. One of many Hartmarx International licensing programs

Hartmarx launched several new international programs in 1984. A new program with Cambridge Clothing Company of New Zealand for the licensing of Trumpeter is already proving to have a major influence in its market, and new programs for Jaymar were commenced in Canada and Mexico. A new program in Mexico was inaugurated for licensing of Nino Cerruti men's suits.

We are especially pleased with a new program in Japan for Hickey-Freeman. This prestigious suit, retailing for $700 or more in Japan, was warmly received with excellent sales during fall 1984, and is enjoying a favorable reception in a nation noted for attention to quality. The future includes a new program for Jaymar in Finland that will cover the entire Scandinavian market, sublicensing of Pierre Cardin in Columbia and a Jack Nicklaus program in Korea, pending approval by the Korean government. Our retail licensing programs under the Baskin, Hastings, Silverwoods and Field Brothers names continue to grow in importance.

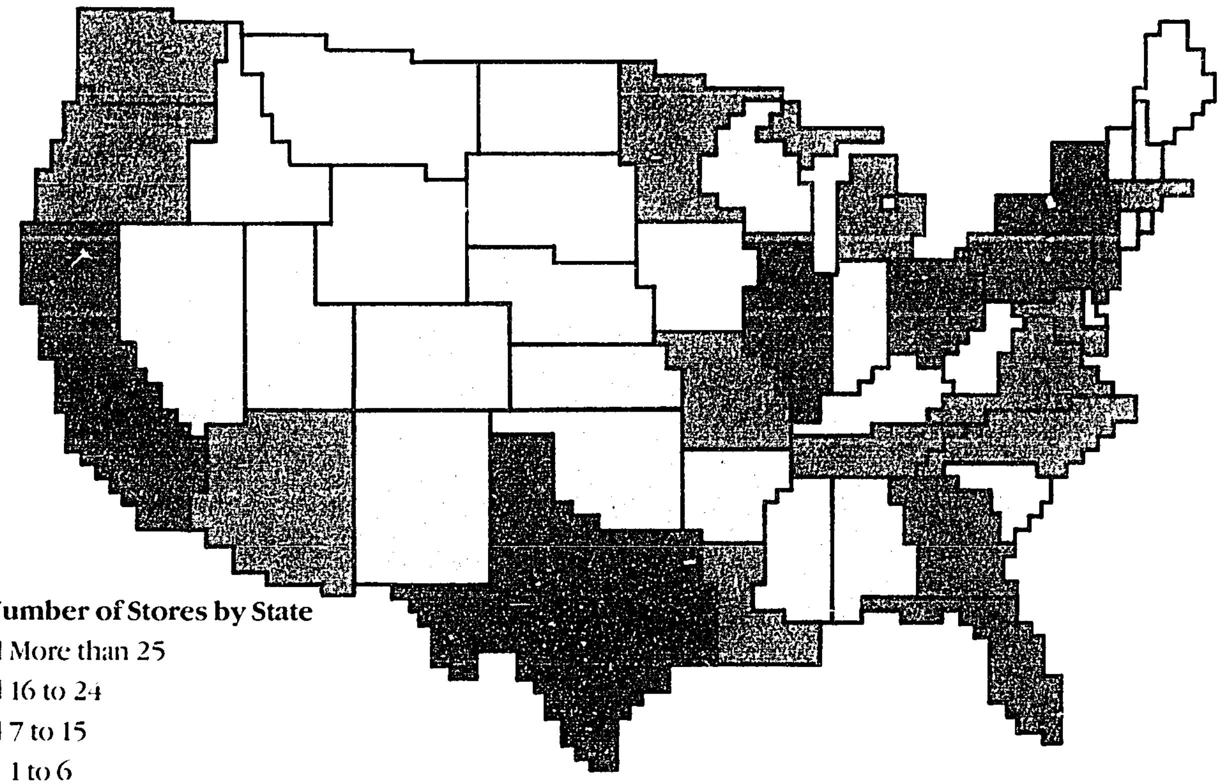
Hartmarx owns a 14 percent voting interest in the Austin Reed of Regent Street Group in England, a successful apparel manufacturer and retailer operating over 50 stores, and this relationship is helpful in the licensing, merchandising and advertising of Austin Reed of Regent Street in the U.S. We also own a 49 percent interest in Robert's of Mexico, that country's foremost manufacturer-retailer of men's quality clothing. Despite Mexico's difficult economic circumstances, Robert's has expanded and just opened its 25th store in the affluent Polanco section of Mexico City. Earnings on our 49 percent equity withstood devaluations this year as Robert's increased sales and earnings in pesos by about 70 percent.

In addition to expanding international licensing activities, more emphasis will be placed on the development of domestic licensing potential during 1985.

Hartmarx Retail Stores Density by State

Hartmarx operates 453 Men's and Women's apparel stores in the United States. They appeal to many different demographic and life-style population segments.

Hartmarx Specialty Stores	257
Kuppenheimer Factory Direct Stores	127
Country Miss Women's Apparel Stores	56
Jaymar/Sansabelt Shops	13



Men's Suits, by Retail Price and Style (The chart below highlights the main focus of each brand)

Retail Price	Contemporary	Designer/Personality	Traditional	Forward Fashion
$525+	Hickey-Freeman – Walter Morton			
$450-$500	Jaeger	Christian Dior Grand Luxe		Walter Holmes – Society Brand
$325-$450	Hart Schaffner & Marx		Graham & Gunn	
$255-$375		Christian Dior Monsieur Pierre Cardin	Austin Reed of Regent Street	Henry Grethel
$215-$275		Nino Cerruti	Racquet	
$170-$245	Jaymar Allyn St. George	Johnny Carson		
$120-$180	Kuppenheimer			

Management's Discussion and Analysis
(Comments in Addition to Page 5)

The comparisons of sales and earnings for 1984, 1983 and 1982 are affected by the acquisition of Kuppenheimer in December 1982 and Country Miss in January 1981. On December 1, 1982, $44 million of convertible subordinated debentures were issued, which financed the Kuppenheimer acquisition and expansion as well as reducing other borrowings and providing short-term investment income in fiscal 1983.

Earnings per share increased 10.2 percent to $3.36 in 1984 from $3.05 in 1983 and $2.51 in 1982. Fully-diluted earnings, based on the assumed conversion of the 8.5 percent debentures into 1.5 million shares and elimination of applicable (after-tax) interest, increased to $3.14 per share in 1984 from $2.86 in 1983 compared to $2.51 in 1982 prior to the dilution. Pretax earnings increased 10.1 percent to a record $80.3 million in 1984 from $72.9 million in 1983 and $56.9 million in 1982. These earnings were taxed at an effective rate of 48.0 percent in 1984, 48.4 percent in 1983 and only 44 percent in 1982 when a real estate gain was subject to a lower capital gains tax rate.

The operating segment information on pages 28 and 29 indicates that the 1984 profit improvement resulted from manufacturing operations, which also improved in 1983. Sales of all our major manufacturing brands were strong and several new brands have been developed. Manufacturing sales to unaffiliated customers increased $34.9 million to a record $458.7 million in 1984. Manufacturing profits are partly attributable to the goods produced for Hartmarx Specialty Stores, which amounted to over $85 million in 1984 and over $75 million in 1983, although consolidated sales exclude these intercompany shipments. Over 80 percent of the manufacturing production is sold through unaffiliated retailers. Most of the $14.6 million improvement in the retailing segment in 1983 was attributable to the acquisition of Kuppenheimer.

As a result of acquisitions and internal expansion, the proportion of retailing sales increased to 57 percent of 1984 sales compared to 56 percent in 1983 and 53 percent in 1982. This affected margins and expenses, as retailing has higher gross margin and operating expense ratios. This accounts for most of the increase in operating expenses to 34.4 percent of sales in 1984 from 33.4 percent in 1983 and 32.3 percent in 1982. It also accounts for part of the improvement in gross margin to 41.5 percent of sales in 1984 compared to 40.5 percent in 1983 and 38.2 percent in 1982 in addition to the improvement in efficiency through engineering improvements, improved productivity and an increase in the units produced.

The largest proportion of the retailing segment is Hartmarx Specialty Stores, which includes 29 women's stores. Due to heavy advertising, promotions and price cutting during 1984, the profit from these women's stores produced an unsatisfactory return on investment. Hartmarx is successful in the women's apparel market, particularly in the women's departments within our men's stores and in the outlet stores owned by Country Miss. However, the large women's specialty stores use little of our manufacturing production, and consideration is being given to how well these stores fit into our overall strategy.

Our 49 percent equity in the earnings of Robert's, the non-consolidated Mexican affiliate, was $812,000 in 1984 compared to $863,000 in 1983 and $1,861,000 in 1982. Robert's increased its peso sales and earnings about 70 percent in both 1984 and 1983 which offset devaluation in those years; translation adjustments since August 31, 1982 have been charged against earnings.

When considering the impact of inflation, earnings would be lower than reported due to assuming higher depreciation expense without a corresponding reduction in taxes; however, the current value of net assets would increase to approximately $390 million from $301.9 million book value.

Total assets increased substantially over the two years by $71 million in 1984 and $62 million in 1983, with much of the increase due to Kuppenheimer which was not included at November 30, 1982. Inventories increased $50 million in 1984 and $48 million in 1983, with most of the remaining increase due to fixed asset additions. Receivables increased only $4 million in 1984 and $7.5 million in 1983 as Kuppenheimer sales are substantially all through bank cards or cash, and overall, the collection of receivables was excellent.

Hartmarx Corporation
Supplementary Information

Quarterly Financial and Common Share Information

Quarters (Not separately audited)	Net Sales (000's omitted) 1984	1983	1982	Gross Profit (000's omitted) 1984	1983	1982	Net Earnings (000's omitted) 1984	1983	1982
First	$ 274,360	$251,802	$230,057	$109,682	$ 94,670	$ 84,781	$11,745	$ 9,810	$ 10,830*
Second	247,745	213,671	194,417	105,915	89,464	77,898	8,330	7,165	5,890
Third	260,666	233,924	210,761	100,740	88,085	76,610	7,955	7,435	5,740
Fourth	288,059	262,449	227,996	128,184	117,682	90,882	13,705	13,205	9,410
Total	$1,070,830	$961,846	$863,231	$444,521	$389,901	$330,171	$41,735	$ 37,615	$ 31,870

Quarters (Not separately audited)	Net Earnings Per Share 1984	1983	1982	Fully Diluted Earnings Per Share 1984	1983	1982	Cash Dividends Per Share 1984	1983	1982
First	$ .95	$ .80	$ .83*	$ .88	$ .75	$ .83*	$ .28	$ .20⅔	$ .18⅔
Second	.67	.58	.45	.64	.55	.45	.28	.23½	.20⅔
Third	.64	.60	.47	.60	.57	.47	.28	.23½	.20⅔
Fourth	1.10	1.07	.76	1.02	.99	.76	.28	.23½	.20⅔
Total	$ 3.36	$ 3.05	$ 2.51	$ 3.14	$ 2.86	$ 2.51	$ 1.12	$ .91⅙	$ .80⅔

*First quarter includes $1.765 million or $.13 per share gain on sale of property.

Selected Financial Data

In Thousands/For Years Ended November 30	1984	1983	1982	1981	1980
Net sales	$1,070,830	$961,846	$863,231	$815,560	$674,888
Net earnings	41,735	37,615	31,870	27,410	22,525
Net earnings per common share and equivalent	3.36	3.05	2.51	2.11	1.75
Fully diluted earnings per share	3.14	2.86	2.51	2.11	1.75
Cash dividends per share	1.12	.91⅙	.80⅔	.72⅔	.64⅔
Average number of common shares and equivalents	12,409	12,323	12,681	13,005	12,841
In Thousands/At November 30					
Accounts receivable	$169,612	$165,521	$158,011	$150,807	$124,618
Inventories	306,140	256,129	208,105	204,953	186,061
Net properties	115,948	100,415	86,305	87,423	63,456
Total assets	613,536	542,844	480,793	464,874	402,235
Working capital	286,488	260,735	237,210	208,675	205,065
Long term debt	110,576	100,562	89,462	62,246	53,656
Shareholders' equity	301,891	271,703	242,490	245,465	226,812
Equity per share	24.36	22.20	20.19	18.89	17.67

Hartmarx common shares are traded on the New York and Midwest Stock Exchanges.
The quarterly composite price range for the past three years was:

	Fiscal 1984 Fourth	Third	Second	First	Fiscal 1983 Fourth	Third	Second	First	Fiscal 1982 Fourth	Third	Second	First
High	$30	$32⅝	$29	$34¼	$36¼	$36	$30⅞	$27⅙	$25⅙	$16½	$17⅙	$15⅓
Low	24⅞	23¾	23½	24⅜	31¼	26⅛	26	21⅚	15⅓	12⅔	13¾	12 1/12

All outstanding shares and per share amounts have been restated for the 3-for-2 exchange in April, 1983.

Hartmarx Corporation
Consolidated Statement of Earnings

In Thousands/Years ended November 30	1984	1983	1982
Net sales	$1,070,830	$961,846	$863,231
Finance charges and other income	14,553	12,414	12,345
Interest income	1,619	1,759	1,366
Equity in earnings of non-consolidated affiliate	812	863	1,861
	1,087,814	976,882	878,803
Cost of goods sold	626,309	571,945	533,060
Selling, administrative and occupancy expenses	368,899	321,279	278,647
Interest	12,311	10,728	10,236
	1,007,519	903,952	821,943
Earnings before taxes	80,295	72,930	56,860
Taxes on earnings	38,560	35,315	24,990
Net earnings for the year	$ 41,735	$ 37,615	$ 31,870
Earnings per common share and common share equivalent	$ 3.36	$ 3.05	$ 2.51
Fully diluted earnings per share	$ 3.14	$ 2.86	$ 2.51

(See accompanying notes to consolidated financial statements)

Report of Independent Accountants

Price Waterhouse

To the Shareholders and Board of Directors of Hartmarx Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of shareholders' equity and of changes in financial position present fairly the financial position of Hartmarx Corporation and its subsidiaries at November 30, 1984 and 1983, and the results of their operations and the changes in their financial position for each of the three years in the period ended November 30, 1984, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois
January 15, 1985

Price Waterhouse

Hartmarx Corporation
Consolidated Balance Sheet

In Thousands/November 30		1984	1983
Assets			
Current Assets	Cash	$ 2,389	$ 3,589
	Short term investments, at cost which approximates market	4,361	2,091
	Accounts receivable, less allowance of $9,794 and $8,829 for doubtful accounts	169,612	165,521
	Inventories	306,140	256,129
	Prepaid expenses	5,055	3,984
	Total current assets	487,557	431,314
Investments and Other Assets		10,031	11,1[illegible]
Properties	Land	5,021	4,[illegible]
	Buildings and building equipment	46,147	39,506
	Furniture, fixtures and equipment	124,805	110,484
	Leasehold improvements	73,755	66,350
		249,728	220,827
	Accumulated depreciation and amortization	(133,780)	(120,412)
	Net properties	115,948	100,415
Total Assets		$613,536	$542,844

Liabilities and Shareholders' Equity			
Current Liabilities	Notes payable to banks	$ 33,000	$ 8,000
	Current maturities of long term debt	6,642	4,950
	Accounts payable	68,745	70,752
	Accrued payrolls	32,566	31,338
	Other accrued expenses	32,335	30,987
	Taxes on earnings	10,143	11,284
	Deferred taxes on earnings	17,638	13,268
	Total current liabilities	201,069	170,579
Long Term Debt, less current maturities		110,576	100,562
Shareholders' Equity	Convertible preferred shares, $1 par value; 2,500,000 authorized and unissued	—	–
	Common shares, $2.50 par value; authorized 25,000,000; issued 13,849,897 in 1984 and 13,791,061 in 1983	34,625	34,478
	Capital surplus	17,195	15,916
	Retained earnings	279,543	251,599
	Foreign currency translation adjustment	(5,876)	(5,876)
		325,487	296,117
	Common shares in treasury, at cost, 1,456,293 in 1984 and 1,552,437 in 1983	(23,596)	(24,414)
	Shareholders' equity	301,891	271,703
Total Liabilities and Shareholders' Equity		$613,536	$542,844

(See accompanying notes to consolidated financial statements)

Hartmarx Corporation
Consolidated Statement of Shareholders' Equity

In Thousands	Par Value of Preferred Stock	Par Value of Common Stock	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Shares
Balance at November 30, 1981	$ 46	$22,436	$25,035	$203,321	$ (328)	$ (5,045)
Net earnings for the year				31,870		
Cash dividends:						
Preferred shares, $2.00 per share				(62)		
Common shares, $.80⅔ per share				(10,033)		
Stock options exercised (66,456 shares issued upon exercise of 68,523 options and stock appreciation rights)		111	468			
Conversion of 29,136 preferred shares into 78,661 common shares	(29)	131	(102)			
Acquisition of 1,133,646 treasury shares						(20,850)
Disposition of 90,048 treasury shares			306			763
Foreign currency translation adjustment					(5,548)	
Balance at November 30, 1982	17	22,678	25,707	225,096	(5,876)	(25,132)
Conversion of 16,888 preferred shares into 45,597 common shares	(17)	76	(59)			
Effect of 3-for-2 stock exchange		11,465	(11,465)			
Net earnings for the year				37,615		
Cash dividends:						
Preferred shares, $.50 per share				(8)		
Common shares, $.91⅙ per share				(11,104)		
Stock options exercised (138,949 shares issued upon exercise of 174,206 options and stock appreciation rights)		259	522			
Disposition of 85,931 treasury shares (net of acquisition of 613 shares)			1,204			715
Conversion of $10,000 face value of debentures into 340 common shares			7			3
Balance at November 30, 1983	–	34,478	15,916	251,599	(5,876)	(24,414)
Net earnings for the year				41,735		
Cash dividends:						
Common shares, $1.12 per share				(13,791)		
Stock options exercised (58,836 shares issued upon exercise of 64,062 options and stock appreciation rights)		147	482			
Disposition of 96,144 treasury shares			797			818
Balance at November 30, 1984	$ --	$ 34,625	$17,195	$279,543	$ (5,876)	$(23,596)

(See accompanying notes to consolidated financial statements)

Hartmarx Corporation
Consolidated Statement of Changes in Financial Position

In Thousands/Years ended November 30		1984	1983	1982
Working Capital was Provided by:	Net earnings for the year	$41,735	$ 37,615	$ 31,870
	Depreciation and amortization	17,069	15,151	13,959
	Equity in earnings of non-consolidated affiliate	(812)	(863)	(1,861)
	Working capital provided by operations	57,992	51,903	43,968
	Proceeds from issuance of 8½% convertible subordinated debentures, net of conversion	—	43,990	—
	Proceeds from other long term debt	16,967	5,415	29,772
	Net proceeds from exercise of stock options	629	781	579
		75,588	102,089	74,319
Working Capital was Used for:	Property additions – net	32,602	20,714	12,841
	Payment of dividends	13,791	11,112	10,095
	Reduction of long term debt	6,953	39,157	2,556
	Increase (decrease) in investments and other assets	(1,896)	190	511
	Changes in treasury stock – net	(1,615)	(1,919)	19,781
	Properties and other assets of acquired company, net of obligations assumed	—	9,310	—
		49,835	78,564	45,784
	Increase in Working Capital	$25,753	$ 23,525	$ 28,535
Changes in Components of Working Capital:	Cash	$(1,200)	$ (9,504)	$ 7,123
	Short term investments	2,270	(1,759)	1,660
	Accounts receivable	4,091	7,510	7,204
	Inventories	50,011	48,024	3,152
	Prepaid expenses	1,071	992	1,074
	Notes payable to banks	(25,000)	9,500	17,500
	Current maturities of long term debt	(1,692)	427	(2,932)
	Accounts payable	2,007	(16,133)	(2,358)
	Accrued payrolls	(1,228)	(6,616)	(1,400)
	Other accrued expenses	(1,348)	(2,021)	1,557
	Taxes on earnings	1,141	(8,072)	1,200
	Deferred taxes on earnings	(4,370)	1,177	(5,245)
	Increase in Working Capital	$25,753	$ 23,525	$ 28,535

(See accompanying notes to consolidated financial statements)

Summary of Accounting Policies

The consolidated financial statements include the accounts of the Company and all subsidiaries. The Company's 49% equity in Robert's S.A. de C.V., a publicly traded corporation in Mexico, is included in "Investments and Other Assets." The Mexican economy is currently considered to be highly inflationary and foreign currency adjustments are remeasured as if the U.S. dollar were the functional currency and included in earnings, in accordance with Statement of Financial Accounting Standards #52. Prior to September 1, 1982, the effects of translation from the peso functional currency to the U.S. dollar reporting currency were charged directly to a separate component of shareholders' equity.

Inventories are stated at the lower of cost or market. Approximately 28% and 30% of the Company's inventories, primarily work in process and finished goods, are valued using the last-in, first-out (LIFO) method at November 30, 1984 and 1983, respectively. The first-in, first-out (FIFO) method is used for substantially all raw materials and the remaining manufacturing and retail inventories.

Properties are stated at cost. Additions, major renewals and betterments are capitalized; maintenance and repairs which do not extend asset lives are charged against earnings. Profit or loss on disposition of assets is reflected in earnings and the related asset costs and accumulated depreciation are removed from the respective accounts.

Accelerated depreciation methods are used for a significant portion of the properties and the straight-line method is used for the remainder. Depreciation is computed based on useful lives of 20 to 45 years for buildings, 5 to 20 years for building equipment and 3 to 15 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the terms of the respective leases.

Intangible assets are included in "Investments and Other Assets" at cost, less amortization which is provided on a straight-line basis over their economic lives, usually 10 years or less.

Deferred taxes on earnings are provided for timing differences between financial and taxable income. Investment tax credits are recognized as a reduction of the current provision for taxes on earnings in the year the related assets are placed in service.

The Company and its subsidiaries maintain pension plans covering substantially all employees other than those covered by multi-employer plans. Pension expense charged against earnings includes current service costs and, as to plans not fully funded, amortization of prior service costs over periods ranging from ten to thirty years. Pension expense under each multi-employer plan is based upon a percentage of the employer's union payroll established by industry-wide collective bargaining agreements. Pension expenses are funded as accrued.

When stock options are exercised, common stock is credited for the par value of shares issued and capital surplus is credited with the consideration in excess of par. For stock appreciation rights, compensation expense is recognized on the aggregate difference between the market price of the Company's stock and the option price only when circumstances indicate that the right, and not the option, will be exercised.

Primary earnings per share are computed based on the average number of common shares and common share equivalents outstanding, including convertible preferred shares. When dilutive, stock options are included as share equivalents using the treasury stock method. The number of shares used in computing primary earnings per share was 12,409,000 in 1984, 12,323,000 in 1983 and 12,681,000 in 1982. Fully diluted earnings per share assumes conversion of the outstanding convertible subordinated debentures into common shares at $29.33 per share and elimination of the 8½% interest expense (after-tax) thereon. The number of shares used in computing fully diluted earnings per share was 13,909,000 in 1984, 13,823,000 in 1983 and 12,681,000 in 1982.

Reorganization

Per share data and the number of shares included in the financial statements and notes have been restated to give retroactive effect to the 1983 reorganization through which Hart Schaffner & Marx became a wholly owned operating subsidiary of Hartmarx Corporation, a Delaware holding company. Hartmarx became a joint and several obligor with respect to substantially all borrowing arrangements originally transacted by Hart Schaffner & Marx, whose separate financial information is reflected in the presentation of financial position and results of operations of Hartmarx Corporation.

Shareholders received three, $2.50 par value, Hartmarx shares in exchange for each two, $2.50 par value, shares held of Hart Schaffner & Marx, essentially a fifty percent stock dividend. During 1984, the restructuring was substantially completed as all other operating companies (in addition to Hart Schaffner & Marx) became direct subsidiaries of Hartmarx Corporation, or its subsidiaries.

Acquisitions

On December 1, 1982, the Company purchased Kuppenheimer Manufacturing Company, Inc., a manufacturer and retailer of men's tailored clothing. On January 7, 1981, the Company acquired an 80% interest in Country Miss, Inc. and contracted to purchase the minority interest as of September 30, 1985 for its book value at that date.

Inventories

At November 30, 1984 and 1983 inventories were as follows (000's omitted):

	1984	1983
Raw materials	$ 38,812	$ 32,563
Work in process	35,412	31,820
Finished goods	231,916	191,746
	$306,140	$256,129

The excess of current cost over LIFO costs for certain inventories was $20.3 million at November 30, 1984 and $18.6 million at November 30, 1983.

Notes Payable to Banks

The following summarizes information concerning notes payable to banks (000's omitted):

	1984	1983	1982
Outstanding at November 30	**$42,000**	$ 8,000	$35,000
Maximum month end balance during the year	**74,500**	29,600	55,000
Average amount outstanding during the year	**31,400**	7,400	29,500
Weighted daily average interest rate during the year	**11.4%**	10.0%	12.8%
Weighted average interest rate on borrowings at November 30	**9.3%**	9.8%	9.8%

The Company has entered into revolving credit and term loan agreements totaling $45 million. The interest rate under these agreements is either the bank's prime rate, the Eurodollar rate plus ⅜%, fixed CD rate plus ½% or transaction loan rate, depending on the type of loan under the agreement. Additionally, the Company has agreed to pay certain other fees, including a commitment fee of ¼% of the daily unused amount of the aggregate principal amount of the credit plus amounts borrowed at transaction loan rates. The Company has the option, exercisable until November 1, 1986, to convert all or part of the revolving credit into term loan notes which would be repaid in quarterly installments over a three year period commencing on conversion. At November 30, 1984, $17 million of borrowings were outstanding under these agreements.

In addition to the revolving credit and term loan agreements, the Company has informal borrowing arrangements with a number of additional banks providing for lines of credit aggregating $130 million, $25 million of which was utilized as of November 30, 1984. Interest rates are at transaction loan rates (all below the prime rate) and there are no significant compensating balance requirements nor commitment fees associated with these credit lines.

At November 30, 1984, of the aggregate $42 million of borrowings outstanding under these agreements, $9 million is classified as long term, representing the lowest amount of bank loans expected to be outstanding within the succeeding twelve months; the remaining $33 million was paid from cash generated by operations.

Long Term Debt

At November 30, 1984 and 1983, long term debt, less current maturities, comprised the following (000's omitted)

	1984	1983
Loans under revolving credit agreements	$ 9,000	$ —
8½% convertible subordinated debentures (due 2008)	43,990	$ 43,990
8½% sinking fund debentures (due 1996)	13,980	14,507
9¼% promissory notes (due 1991)	18,200	20,800
Industrial development bonds	22,794	15,458
Other debt, extending to 2003 (average interest rate of 9.7% in 1984 and 1983)	1,681	4,761
Obligations under capital leases	931	1,046
Total long term debt	$110,576	$100,562

The 8½% convertible subordinated debentures, originally $44 million, are convertible at any time prior to maturity into common shares of Hartmarx at $29.33 per share, subject to adjustment in certain events. The debentures are redeemable at the option of the Company at a premium until January 15, 1993. Sinking fund payments commencing January 15, 1993 will retire 5% annually of the debentures outstanding on December 1, 1992, at par, and a minimum of 75% of the then outstanding debentures prior to maturity. During 1983, $10,000 par value of debentures were converted into 340 common shares and at November 30, 1984, 1,499,660 shares are reserved for issuance on conversion of the remaining outstanding debentures.

The 8½% sinking fund debentures, originally $35 million, have been reduced by purchases which are being applied to sinking fund requirements of $1.75 million annually. $14 million was applied to 1978 through 1985, and $7.02 million is available for future use. At November 30, 1983, $2.95 million of the debentures were included in current maturities of long term debt reflecting subsequent purchases made in December, 1983.

The 9¼% promissory notes, originally $25 million, require a payment of $2.6 million on December 1, 1984 and each December 1 thereafter until December 1, 1991. The Company may make optional prepayments up to $7.5 million without premium, in amounts equal to and at the dates of the required payments, and additional prepayments, subject to certain restrictions prior to November 1, 1985, of all or any portion of the notes at varying premiums.

The industrial development bonds, which mature on varying dates from 1985 through 2014, were issued by development authorities for the purchase or construction of various manufacturing or retail facilities. The bond proceeds were used for various properties which have a carrying value at November 30, 1984 of $25 million. Interest rates on the various borrowing agreements range from ⅞ of 1% to 8.5% (average of 6.8% at November 30, 1984).

Other long term debt includes installment notes and mortgages with interest rates ranging from 5.8% to 11.5% per annum.

The approximate principal requirements of long term debt during the

next five years, including payments on the 9¼% notes and various industrial development bonds are as follows: $6.53 million in 1985; $3.25 million in 1986; $5.11 million in 1987; $5.13 million in 1988; $5.21 million in 1989.

Under the most restrictive provision of the Company's borrowing agreements, the Company may incur total funded debt up to approximately the amount of shareholders' equity. At November 30, 1984 senior funded debt was limited to approximately $258 million. Consolidated working capital was $286 million at November 30, 1984 compared with $202 million required to be maintained by the Company. Consolidated retained earnings of $99 million at November 30, 1984 plus 80% of earnings thereafter are available for the payment of future cash dividends.

Leases

The Company and its subsidiaries operate principally in leased facilities. Almost one-half of the leases contain renewal options ranging from 5 to 25 years. Over 90 percent of all leases provide for payment by the lessors of all or most of the applicable real estate taxes, maintenance and insurance costs; such executory costs are substantial in proportion to minimum rentals. Contingent rental payments are generally based on the sales volume of the rental unit.

Leased property under capital leases is included in "Properties" on the balance sheet and at November 30, 1984 and 1983 comprised the following (000's omitted).

	1984	1983
Land	**$ 138**	$ 138
Buildings	**4,252**	4,252
	4,390	4,390
Less: Accumulated depreciation	**3,344**	3,230
	$1,046	$1,160

At November 30, 1984, total minimum rentals under operating leases and rentals applicable to capital leases are as follows (000's omitted).

Years	Capital Leases	Operating Leases
1985	$ 364	$ 32,243
1986	364	31,022
1987	364	29,535
1988	364	26,608
1989	364	23,299
Thereafter	1,543	96,268
Total minimum due	3,363	$238,975
Executory costs	(1,556)	
Amounts representing interest	(761)	
Present value of minimum lease payments	1,046	
Current capital lease obligations	(115)	
Long term capital lease obligations	$ 931	

Minimum future sublease rentals receivable under capital leases and operating leases at November 30, 1984 amounted to $9.8 million and $2.6 million, respectively. Rental expense on operating leases, including rentals under short term leases, comprised the following (000's omitted).

	1984	1983	1982
Minimum rentals	**$35,097**	$29,991	$22,303
Contingent rentals	**7,069**	6,013	6,359
Sublease income	**(1,844)**	(1,814)	(1,630)
Total rental expense	**$40,322**	$34,190	$27,032

Stock Option Plans

The Company has stock option plans under which officers and key employees may be granted options to purchase the Company's common stock at prices equal to the fair market value at date of grant. Options under all plans approved by the shareholders before 1980 are exercisable to the extent of 25% each year (cumulative) from the second through the fifth year, and expire five to ten years after date of grant. Options under the 1980 and 1982 Stock Option Plans may be exercisable as to all or any portion of the shares granted at any time during the period beginning one year after the date of grant, if the participant has been employed by the Company for at least five years, and expire on April 7, 1990 and ten years after date of grant, respectively.

The 1980 and 1982 Plans also provide for the discretionary grant of stock appreciation rights in conjunction with the option. This allows the holder to receive a combination of shares of stock and a cash payment, which together equal the gain in market price from date of grant to the date of exercise. However, the maximum cash payment permitted is one-half of the gain in market price. Under the Plans, when options and appreciation rights are granted in tandem, the exercise of one cancels the other.

Options outstanding at November 30, 1984 included 230,083 granted in tandem with stock appreciation rights. Options for 264,875 shares were exercisable at November 30, 1984 at prices ranging from $6.50 to $32.25. At November 30, 1984, 72,187 shares were available for grant (230,187 shares at November 30, 1983) and 557,371 shares were reserved for options granted or to be granted.

Information regarding options outstanding at November 30, 1984 and those which became exercisable and were exercised during 1984, 1983 and 1982 (after giving retroactive effect to the three-for-two stock exchange) is as follows.

Options Outstanding at November 30, 1984

Year of grant	1984	1983	1982	1981	1980	1978	1975	Total
Shares	**163,700**	136,000	93,647	65,821	24,141	750	1,125	**485,184**
Option price (weighted average per share)	**$27.97**	$29.95	$16.31	$12.27	$6.75	$8.25	$6.50	**$23.01**
Fair value at date of grant (000's omitted)	**$4,578**	$4,073	$1,527	$ 808	$ 163	$ 6	$ 7	**$11,162**

		Option price		Fair value at date options became exercisable/were exercised	
	Shares	Weighted average per share	Total (000's omitted)	Weighted average per share	Total (000's omitted)
Options which became exercisable:					
1984	**138,249**	**$26.12**	**$3,611**	**$28.37**	**$3,922**
1983	137,400	$15.21	$2,089	$29.74	$4,085
1982	148,391	$11.83	$1,756	$15.83	$2,349
Options exercised:					
1984	**64,062**	**$12.32**	**$ 789**	**$28.75**	**$1,842**
1983	174,206	$10.04	$1,749	$27.69	$4,823
1982	68,523	$ 8.83	$ 605	$17.27	$1,184

A summary of the plans for the three years ended November 30, 1984 is as follows:

	Number of Shares	Appreciation Rights	Option Price
Under option, November 30, 1981	364,551	104,925	$ 7 to $15
Granted	132,525	58,425	$16 to $21
Exercised	(68,523)	(4,575)	$ 7 to $13
Expired or terminated	(2,701)		$ 7 to $16
Under option, November 30, 1982	425,852	158,775	$ 7 to $21
Granted	139,900	77,350	$23 to $32
Exercised	(174,206)	(62,219)	$ 7 to $16
Expired or terminated	(300)		$13
Under option, November 30, 1983	391,246	173,906	$ 7 to $32
Granted	164,100	85,875	$27 to $28
Exercised	(64,062)	(27,898)	$ 7 to $23
Expired or terminated	(6,100)	(1,800)	$ 7 to $30
Under option, November 30, 1984	485,184	230,083	$ 7 to $32

Pension Plans

Total pension costs for the years ended November 30, 1984, 1983 and 1982 were approximately $13 million, $13 million and $12 million, respectively, including contributions to multi-employer plans.

The Company participates with other companies in the apparel industry in making collectively-bargained contributions to pension funds covering most of its union employees. The 1984 contribution rate for the principal plan was 9.4% of the applicable payroll and is based on the actuarially recommended amount necessary to fund the costs of the benefits.

The principal Company sponsored pension plan became noncontributory effective January 1, 1984. In 1984, the Company made changes in several actuarial assumptions in order to more closely reflect recent plan experience. These changes included increases both in the assumed rate of return from 6.5% in 1983 to 8% in 1984 and in assumed salary increases from 5.5% to 6%. The effect of these changes on consolidated net income was not significant.

A comparison of accumulated plan benefits and plan net assets for the Company-sponsored defined benefit plan at January 1, 1984 and 1983 is presented below (000's omitted):

	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	**$34,400**	$34,000
Nonvested	**2,700**	3,000
	$37,100	$37,000
Net assets available for benefits	**$72,000**	$60,500

The Multi-employer Pension Plan Amendments Act of 1980 amended ERISA to establish funding requirements and obligations for employers participating in multi-employer plans, principally related to employer withdrawal from or termination of such plans. Separate actuarial calculations of the Company's position are not available with respect to the multi-employer plans.

Taxes on Earnings

The provisions for taxes on earnings is summarized as follows (000's omitted):

	1984	1983	1982
Federal	**$28,966**	$24,765	$16,610
State and local	**5,224**	4,595	3,135
Total current	**34,190**	29,360	19,745
Federal	**3,702**	5,025	4,415
State and local	**668**	930	830
Total deferred	**4,370**	5,955	5,245
Total taxes on earnings	**$38,560**	$35,315	$24,990

The deferred provision for 1984 is primarily comprised of $2.0 million related to accelerated depreciation, $.9 million to deferred gross margin on installment sales, and $1.8 million to the purchases in fiscal 1982 and 1983 of $8.9 million of tax benefits through tax lease transactions. Approximately $7.1 million of the deferred provision for 1983 related to these tax lease transactions. The deferred tax provision for 1982 is primarily comprised of $3.4 million attributable to deferred gross margin on installment sales and $2.9 million attributable to accelerated depreciation.

The difference between taxes on earnings reflected in the accompanying statement of earnings and the amount computed by applying the federal statutory tax rate to pre-tax earnings is summarized as follows:

	Percent of Pre-Tax Earnings		
	1984	1983	1982
Taxes computed at statutory rate	**46.0%**	46.0%	46.0%
State and local taxes on earnings, net of federal tax benefit	**4.0**	4.1	3.8
Investment tax credit ($1.27 million in 1984, $1.13 million in 1983, and $1.52 million in 1982)	**(1.6)**	(1.5)	(2.7)
Gain on sale of property, taxed at capital gain rates	—	—	(2.0)
Equity in earnings of non-consolidated affiliate	**(.5)**	(.5)	(1.5)
Other—net	**.1**	.3	.4
Effective tax rate	**48.0%**	48.4%	44.0%

Operating Segment Information

The Company is engaged in the business of manufacturing and selling apparel. Approximately 19% of the manufactured products are sold to affiliated companies and the remaining 81% are sold to other retailers for resale to consumers. No one customer accounts for more than 2% of consolidated sales. Substantially all of Kuppenheimer's operations are included in the 1984 and 1983 retailing segment information. Information on the Company's manufacturing and retailing operations for the years ended November 30, 1984, 1983 and 1982 is summarized as follows:

Operating Segment Information

	Manufacturing 1984	Manufacturing 1983	Manufacturing 1982	Retailing 1984	Retailing 1983	Retailing 1982	Adjustments 1984	Adjustments 1983	Adjustments 1982	Consolidated 1984	Consolidated 1983	Consolidated 1982
Sales to unaffiliated customers	$458.7	$423.8	$407.2	$612.1	$538.0	$456.0	$	$	$	$1,070.8	$961.8	$863.2
Earnings before taxes	73.1	61.4	57.1	35.3	35.1	20.5	(28.1)	(23.6)	(20.7)	80.3	72.9	56.9
Gross assets at year end	265.1	241.2	251.9	355.8	307.1	230.5	(7.4)	(5.5)	(1.6)	613.5	542.8	480.8
Depreciation and amortization	6.8	6.1	5.3	10.1	8.9	8.5	.2	.2	.2	17.1	15.2	14.0
Property additions—net	17.2	9.5	6.2	15.2	11.0	6.6	.2	.2	—	32.6	20.7	12.8

Adjustments of gross assets are for corporate cash, net properties, investments and other assets, less intercompany profit in inventory and intercompany receivables.

Adjustments of depreciation and amortization and net property additions are for corporate properties.

Shipments of approximately $111 million in 1984, $93 million in 1983 and $83 million in 1982 to the Company's retail stores (at the same prices as similar items are sold to unaffiliated retailers) are excluded from sales of the manufacturing segment, although profit on these products is included in manufacturing earnings.

Adjustments from earnings before taxes are:

	1984	1983	1982
Interest expense (net of interest income)	$(10.7)	$ (9.0)	$ (8.9)
General corporate expenses and intercompany profit elimination (includes gain on sale of building in 1982)	(18.2)	(15.5)	(13.7)
Equity in earnings of non-consolidated affiliate	.8	.9	1.9
	$(28.1)	$(23.6)	$(20.7)

Effects of Inflation (unaudited)

Financial statements presented in accordance with generally accepted accounting principles traditionally report amounts based on historical costs, without attempting to measure the effects of changing prices on business enterprises. Financial Accounting Standards Board Statement 33, "Financial Reporting and Changing Prices," as amended by FASB Statement 82, requires presentation of supplemental financial data adjusted for changes in specific prices (Current Cost). This is deemed experimental and data should be read with caution.

Current Cost accounting uses the same depreciation rates and methods used in the financial statements, after adjustments for inflation since the dates of purchase; amounts are stated in average dollars of purchasing power for the last fiscal year; and "holding gains" from the increased values of properties are not recognized. Current Cost of year-end inventories was determined using the FIFO method. Historical cost of goods sold approximates that determined under Current Cost.

Current Cost of properties and related depreciation were developed using appropriate indices, appraisals and management estimates of the cost of replacing existing properties with identical units. This concept disregards replacement with more productive equipment. Historical depreciation is significantly less than inflation-adjusted depreciation even though over 60% of the properties' book value was added in the last five years.

The gain in the purchasing power of monetary items results from the difference between the net liability when incurred, and when expressed in today's dollars which have less purchasing power, but this represents neither a realized gain nor available funds.

The data also shows that Current Cost of inventory and property (principally property) increased in 1984 at a rate lower than general inflation. Inflation adjustments to cost of goods sold and depreciation reduce earnings before tax, but no adjustment to taxes on earnings is permitted. This raises the 48% historical effect rate to 54% under Current Cost, showing how taxes reduce the amount of earnings retainable to finance future growth.

The five year Comparison of Inflation-Adjusted Financial Data is expressed in average 1984 dollars. Inflation-adjusted earnings are shown to be notably lower than earnings on a historical basis, while 1984 historical net asset costs of $302 million would be $390 million at Current Costs.

Inflation accounting requires the use of the Consumer Price Index for All Urban Consumers—All Items (CPI-U All Items) as the measure of general inflation. However, the Company believes the CPI-U apparel indices represent a better measure of inflation in its product costs and sales prices; these indices increased 1.9% for men's and 1.4% for women's apparel in fiscal 1984, when the CPI-U All Items increased 4.6%. Sales showed a five-year annual compounded growth rate of 7.6%, using the apparel indices, or approximately 11.1% annual growth on a historical basis.

Hartmarx Corporation
Notes to Consolidated Financial Statements

Statement of Income Adjusted for Changing Prices (unaudited)

In Average 1984 Dollars/In Millions

	As Reported in the Financial Statements	Adjusted for Current Costs
Net sales	$1,070.8	$1,070.8
Operating expenses, excluding depreciation:		
Cost of goods sold	621.2	624.7
Selling, administrative and occupancy expenses	356.9	356.9
Depreciation expense	17.1	22.9
Interest expense	12.3	12.3
Interest income, other income and equity in earnings of affiliate	(17.0)	(17.0)
	990.5	999.8
Earnings before taxes	80.3	71.0
Taxes on earnings	38.6	38.6
Net earnings for the year	$ 41.7	$ 32.4
Effective tax rate	48%	54%
Gain in purchasing power of net monetary liabilities		$ 4.4
Increase in general price level		$ 18.2
Effect of increase in specific prices (current cost) on inventories and properties held during the year		17.3
Excess of increase in general price level over the increase in specific prices of inventories and properties		$ .9

At November 30, 1984, the current cost of Inventories and Properties was $326.4 million and $188.8 million, respectively.

Comparison of Inflation-Adjusted Financial Data (unaudited)

Amounts Stated in Millions except Per Share Amounts

	1984	1983	1982	1981	1980
Net sales:					
As reported	$1,070.8	$961.8	$863.2	$815.6	$674.9
Adjusted for general inflation	1,070.8	1,005.8	931.8	938.3	859.1
Net earnings:					
As reported	41.7	37.6	31.9	27.4	22.5
Adjusted for specific price changes	32.4	28.8	23.4	17.2	13.8
Primary earnings per share:					
As reported	3.36	3.05	2.51	2.11	1.75
Adjusted for specific price changes	2.61	2.34	1.84	1.32	1.07
Fully diluted earnings per share:					
As reported	3.14	2.86	2.51	2.11	1.75
Adjusted for specific price changes	2.47	2.22	1.84	1.32	1.07
Net assets at year end:					
As reported	301.9	271.7	242.5	245.5	226.8
Adjusted for specific price changes	389.7	366.6	348.6	373.7	357.4
Cash dividends per common share:					
As reported	1.12	.91⅙	.80⅔	.72⅔	.64⅔
Adjusted for general inflation	1.12	.95⅓	.87⅛	.83⅔	.82⅓
Market price per common share at year end:					
As reported	26⅛	33¼	25	14⅙	9⅓
Adjusted for general inflation	26⅛	35¼	27	16¼	11⅞
Increase in general price level over (under) increase in specific prices of inventories and properties	.9	4.4	12.9	(1.6)	25.1
Purchasing power gain	4.4	2.8	3.0	4.9	4.4
Average Consumer Price Index	311.1	297.5	288.2	270.4	244.4

Men's Apparel Group

Elbert O. Hand,
President and
Chief Executive Officer

Hart Schaffner & Marx Clothes

Kenneth A. Hoffman
President and
Chief Executive Officer

Hart Schaffner & Marx
Austin Reed of Regent Street
Graham & Gunn, Ltd
Jack Nicklaus
Christian Dior
Henry Grethel
Walter Holmes – Society Brand
Sterling & Hunt
Gleneagles
Hart Schaffner & Marx
Weatherwear

Hickey-Freeman

Walter B. D. Hickey, Jr
Chairman and
Chief Policy Officer

Gasper A. Tirone
President and
Chief Executive Officer

Hickey-Freeman
Loro Piana
Jaeger
Walter-Morton
Albert Nipon

Intercontinental Branded Apparel

Homi Patel
President and
Chief Executive Officer

Pierre Cardin
Johnny Carson
Nino Cerruti Rue Royale
Allyn St. George
Racquet

Jaymar-Ruby

Burton B. Ruby
Chairman

Geoffrey Bloom
President and
Chief Executive Officer

Jaymar
Jaymar Sport
Sansabelt
Sansabelt Sport
Pierre Cardin
Austin Reed Sportswear
Racquet

Hartmarx Uniform/ Career Apparel Group

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Executive Vice President

Fashionaire
Thorngate Uniforms

Hartmarx Specialty Stores, Inc.

Harvey Weinberg, Chairman and
Chief Executive Officer

Henry C. Schwartz, President

East Group

Wallachs
Walker's of Ohio
Liemandt's, Inc.
Ray Beers Clothing Company
A. I. Zachry
Wolf Bros., Inc.
Field Bros
The Kleinhans Company

West Group

Jas. K. Wilson
Leopold, Price & Rolle
Silverwoods, Inc
Hastings Clothing Company
Klopfenstein's, Inc
Porter-Stevens, Inc
Baskin Clothing Company

Specialty Store Group

F. R. Tripler & Co
Root's, Inc
Jack Henry Clothing Company
Capper & Capper
Littler's, Inc
Peer Gordon

Women's Group

Chas. A. Stevens
deJong's, Inc

Women's Apparel

Country Miss

Alfred T. Gifford
President and
Chief Executive Officer

Stanley H. Wax
President, Retail Stores

Country Miss
Country Miss Petites
Country Suburbans
Handmacher
Weathervane

Low-Markup Retailing

Kuppenheimer

Sam Forman
Chairman

David R. McMahon
President and
Chief Executive Officer

International

Ralph Kaufmann
Vice President, Licensing

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Chairman Emeritus
Hartmarx Corporation

John D. Gray C E
Chairman Emeritus
Hartmarx Corporation

Richard P. Hamilton M
Chairman, President and Chief Executive Officer
Hartmarx Corporation

Elbert O. Hand M
Group President, Men's Apparel Group
Hartmarx Corporation

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Dean, J.L. Kellogg Graduate School of Management
Northwestern University

Charles Marshall C E N
Executive Vice President – External Affairs
American Telephone and Telegraph Company

John R. Meinert M
Vice Chairman and Chief Financial and
Administrative Officer
Hartmarx Corporation

Burton B. Ruby
Chairman
Jaymar-Ruby, Inc

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Chairman, President and Chief Executive Officer
InterNorth, Inc

Harvey A. Weinberg M
Group Chairman, Specialty Stores Group
Hartmarx Corporation

Corporate Officers

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Chairman, President and Chief Executive Officer

John R. Meinert
Vice Chairman and Chief Financial and
Administrative Officer

Elbert O. Hand
Group President
Men's Apparel Group

Harvey Weinberg
Group Chairman
Specialty Stores Group

Jerome Dorf
Senior Vice President

Frank A. Brenner
Vice President, Marketing Services

Guy Gunzberg
Vice President, Information Systems

Ralph Kaufmann
Vice President, Licensing

Mark J. Lies
Vice President and Treasurer

Alan R. Minoff
Vice President
Corporate Strategy and Development

Glenn R. Morgan
Controller

Sherman D. Rosen
Vice President, Human Resources

Carey M. Stein
Vice President, Secretary and General Counsel

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Transfer Agent and Registrar
The First National Bank of Chicago
Chicago, Illinois 60670

Form 10-K
Hartmarx Corporation will provide to any shareholder, without charge, a copy of its Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (but without exhibits). Requests should be in writing to: Hartmarx Corporation, attention: Mrs. Kay C. Nalbach, Assistant Secretary, 101 North Wacker Drive, Chicago, Illinois 60606

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